

Non-technical summary

The impact on labor market when Japan's baby boomers retire and need long-term care

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In Japan, the cohorts born in 1947-1949 are called “*dankai no sedai*” or “baby boomers.” This presentation reviews the issues regarding their retirement and aging.

The labor force participation rate of elderly is much higher in Japan than other developed countries. Furthermore, the employment rate of those aged 60-64 substantially increased in the 2000s, partly because of two policy changes in the 2000s: pension reforms and the obligation for the firms to provide opportunities for continued employment until the pension eligibility age. Both reforms affected the baby boomers.

Since the baby boomers' cohort size is larger and their employment rate is higher than the older cohorts, the number of employed workers in their 60s increased by 50% as the baby boomers reached age 60. How did this increased supply of elderly workers affect the labor market? The existing studies shows that the wages of workers in their 60s fell substantially, especially in large firms. They also show, however, the substitution effect for the younger workers was negligible. Although middle-aged female part-time workers might have been crowded out by old male workers on the continued employment contract, a few studies show evidence against the crowding out of young regular full-time workers. The effect for younger worker's employment is limited probably because the cost adjustment was done through lower wage rate of old workers themselves, and also young regular workers cannot be substituted by older workers because their job content is quite different.

Lastly, I discuss the impact of long-term care needs of the baby boomers, which is not yet realized, on the labor market. One of the major concerns is the effect of increased burden of informal care on the labor supply of their children's generation. Despite the growing social concern that informal parental care is a major obstacle for labor supply of middle-aged women, the existing studies show that the actual impact seems to be limited. This is probably because informal care is provided mainly by daughter or daughter-in-law whose labor supply would be low even without the need for informal care. However, as the marriage rate of children's generation falls and more women continue working full-time, more people will face trade-off between work for living and parental care.